

**STATEMENT OF  
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before the  
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION  
UNITED STATES SENATE  
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Good morning. I appreciate the opportunity to share with the Committee our vision of how MCI WorldCom and Sprint together will continue to bring competition and innovative technology to the changing world of telecommunications. Mr. Ebbers, our President and CEO would have liked to be here, but had a longstanding commitment in a western state today.

The question facing us is simple: Can competitive long distance providers survive to fight against the mega-Bell and cable monopolies on a nationwide basis? The answer is yes, and our merger is the pathway to meet that challenge.

Consider the changes of the last two years: 1) dramatic decreases in the price of traditional long distance service, 2) explosive growth of wireless telephony that has led to a demand for "all distance" pricing, 3) consolidation of the seven Bells into two mega-Bells and two other Bells, 4) imminent entry into the long distance market by the mega-Bells, and 5) growing demand for broadband capacity from both residential and business customers.

Our conclusion is that the separate market for long distance created by the divestiture of AT&T, is eroding; that successful competitors like ourselves need to be able to fulfill all of a customer's needs for wireless and wireline; and that strong competitors must be able to effectively bring

broadband Internet access and services all the way to a customer's home or business.

In other words, the telecommunications industry of the future requires that a company be able to provide one-stop shopping for economical packages of services, and to the maximum extent possible, to reach the customer directly.

The broadband battle is basically about the last mile -- not about the Internet backbone -- which is already open and competitive with thousands of competitors and several major players -- despite what some of our competitors say.

In the world of the last mile, two titans are emerging. One is an old titan reborn through local cable facilities -- AT&T. The other, ironically, is the offspring of that company -- the Bell Operating Companies. The new mega-Bells have maintained their hold over local markets, are already major wireless providers, and have moved swiftly to leverage those assets towards becoming providers of the full range of voice and data services. AT&T, meanwhile, has chosen to buy up the other last-mile -- cable -- and is seeking to dominate the provision of high-speed Internet access and bundle it with its own wireless, local and long distance services.

Faced with these trends, MCI WorldCom had a tough choice to make. We could have left residential customers to the Bells and big cable, but that would have been bad for those consumers and bad for us. We could have merged with a Bell in order to gain the advantage of controlling the critical last mile of copper wire into every home. Or, we could get stronger, and even more competitive. You now know what choice we made. MCI WorldCom and Sprint decided to join forces as the single best hope for a strong and effective alternative to the mega-Bells and the emerging AT&T cable monopoly.

We know how to do this. Both MCI WorldCom and Sprint were born outside of the Bell system and share an entrepreneurial spirit that has contributed to rapid growth and success. Dedicated to opening markets to competition, both our companies have focused on delivering benefits to customers: lower prices, innovation and higher quality services.

And we'll be able to do all of this more efficiently. Over the next five years, the merged company will realize cost savings of \$9.7 billion in operating costs and \$5.2 billion in capital expenditures. These cost savings not only allow the new company to compete aggressively in both the business and consumer markets, but also will enable us to aggressively invest in new technologies such as broadband access and next generation wireless. We'll be serving 44 million customers and growing; we'll have local network facilities in more than 2500 markets nationwide; we'll have more than 4 million PCS subscribers and 1.7 million paging and advanced messaging customers. Hopefully, we'll have all the piece parts we need to be a strong competitor to AT&T and the mega-Bells.

Our competitors overseas, spurred by mounting competition on their home turf, are making acquisitions, joint ventures and aggressive international investments in key markets around the world – The U.S. included. The combined, complementary strengths of MCI WorldCom and Sprint will make us uniquely equipped to develop and market the communication products and services consumers need and want most: data, Internet, wireless, local, long distance, and international.

Together, we will have the capital, proven marketing strength and end-to-end, state-of-the-art networks to compete more effectively against the international incumbent carriers. Our self-

reliant, facilities-based global strategy positions us well to fully service the rapidly growing global telecom market – a market valued at \$1 trillion by the year 2002. Our new company will have the people and the technology required to bring innovative services and the benefits of competition to residential and business consumers across America and around the world.

Here in the United States, we can already see hints that this combination will accelerate broadband deployment in competition with Bell DSL and AT&T cable modems. MCI WorldCom is breaking through in local markets in New York State, already providing over 160,000 residential customers there with two things they've never had before: choice and low cost, flat-rated service. Sprint is going forward with the introduction of its Integrated On-Demand Network (ION) in Kansas City, Seattle, Denver, and eventually, in local markets across the country. MCI WorldCom will be collocated in 1500 central offices for DSL by the end of this year and 2000 by next year. We have both invested heavily in a fixed wireless technology known as MMDS that will allow us to get to customers who are beyond the reach of DSL, usually in predominantly rural areas. With these MMDS and DSL assets, combined with the Sprint ION networks and local facilities; we're in a very strong position to bring consumers – urban and rural – the broadband access that they need and want.

We know that any major merger in our industry will be viewed skeptically at this point – but it's important to remember that not all mergers are the same. This is not a merger of monopoly providers – this merger is being done so we can become large enough in scope to compete with the monopoly powers.

Some regulators have reacted to the news of a MCI WorldCom – Sprint merger by raising a yellow flag of caution. That's their job. We look forward to demonstrating, and we will, that this

merger is pro-competitive in all markets. That debate will benefit everybody, because it will help government officials and consumers alike to understand the best ways to advance the cause of telecommunications competition in the next century.

Thank You.